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1992

MONTANA BOARD OF HOUSING \_\_\_\_\_



# ANNUAL REPORT 1992

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### MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE  
HELENA, MONTANA 59620-0528

(406) 444-3040



## MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE  
HELENA, MONTANA 59620-0528  
(406) 444-3040

### CHAIRMAN AND ADMINISTRATORS MESSAGE

Representing the Montana Board of Housing, we are pleased to report on the agency's activities and accomplishments for the Fiscal Year 1992.

The pages of this report provide insight into the production levels of Montana Board of Housing benchmark Single Family and Multifamily Programs as well as the progress made in developing new programs to better challenge housing needs in our state.

The highlights of the Montana Board of Housing for Fiscal Year 1992 are:

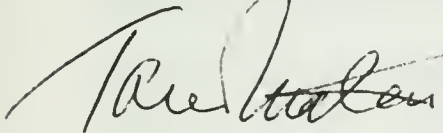
- Issued \$50,000,000 in Mortgage Revenue Bonds to provide low interest homeownership loans, which in turn injected new capital into the State's housing industry;
- Helped 878 Montana families buy a home through the Single Family Mortgage Program at interest rates ranging from 7.375% to 7.90%;
- Expanded its commitment to Neighborhood Housing Services, Inc. of Great Falls via a setaside of \$1,000,000 of 7 $\frac{3}{4}$ % recycled 30 year mortgage funds;
- In conjunction with the U. S. Department of Housing and Urban Development (HUD), committed \$5,000,000 of permanent loan financing to HUD 203(k) Rehabilitation Loans;
- Issued 500 Mortgage Credit Certificates to assist homebuyers in the purchase of a home;
- Provided downpayment and closing cost assistance, as well as permanent loan financing to 85 new homeowners through the Homebuyers Cash Assistance Program;
- Allocated \$896,000 in Low Income Housing Tax Credits to the developers of 7 projects containing 294 low income rental units and generated construction costs estimated at \$11,700,000;
- Purchased the 17,000th home loan in the Single Family Mortgage Program; and

- Assisted eight (8) senior homeowners to provide more substantially for their own in-home support through the Reverse Annuity Mortgage Loan Program.

Montana has a housing crisis in its major cities, as evidenced by the presence of over 6,000 low income families on the waiting lists for public housing and rental assistance. In the coming year, the Board has committed itself to working with public housing authorities and other non-profit housing providers, in the provision of new units of multifamily rental housing to challenge this housing crisis.

Meeting the State's growing housing needs cannot be accomplished by any one entity. We are confident that through current and future partnerships, that the Montana Board of Housing is well positioned to assist in the challenges of affordable housing opportunities for Montanans.

We would like to thank the Board and staff who have worked many hours to carry out our public purpose of providing decent, safe, sanitary and affordable housing for lower income individuals and families in the State of Montana. A special thanks to the lending and real estate communities for their outstanding effort in working with us to challenge housing needs.



Tom Mather  
Chairman



Richard Kain  
Administrator



## THE BOARD

The Montana Board of Housing was created by the Montana Housing Act of 1975. The Board is an agency of the State and operates within the Department of Commerce for administrative purposes. Under the Housing Act the Board does not receive appropriations from the State's general fund for administrative or operating expenses. The Board programs are funded through, either the collection of administrative fees or the sale of tax-exempt bonds.

The Housing Act of 1975 empowered the Board to issue bonds and notes up to a maximum principal amount outstanding of \$975,000,000 for the purpose of assisting lower income persons and families in obtaining safe and sanitary housing within the State.

The powers of the Board are vested in a seven member Board, who are appointed by the Governor, subject to the confirmation of the State Senate. The majority of the board members' terms coincide with the four-year term of the Governor; the remaining board members serve four year terms which expire in the middle of the Governor's term. The Chairman of the Board is appointed by the Governor and other officers of the Board are elected by the board members. Each board member serves until his or her successor is appointed and confirmed by the State Senate.

## BOARD MEMBERS

### **Tom Mather, Chairman**

Realtor/Builder  
Tom Mather & Associates Realty  
Company, Great Falls  
Term expires: January, 1993

### **Joe Gerbase, Vice Chairman**

Attorney  
Anderson, Brown, Gerbase,  
Cebull, Fulton, Harmon & Ross  
P.C., Billings  
Term expires: January, 1993

### **George McCallum, Secretary**

Real Estate Broker  
McCallum Realty, Plains  
Term expires: January, 1993

### **Russell Dahl**

Consultant, Havre  
Term expires: January, 1993

### **Gerry Hudson**

Vice President  
Intermountain Mortgage Co.,  
Billings  
Term expires: January, 1995

### **Dean Mart**

Senior Vice President  
United Savings Bank, Great  
Falls  
Term expires: January, 1995

### **Bob Thomas**

Insurance, Owner  
Bob Thomas Insurance Agency,  
Stevensville  
Term expires: January 1995

## **MONTANA BOARD OF HOUSING STAFF**

Richard Kain  
Administrator

Janet Kunz - Administrative Assistant  
Mary Walker - Secretary

### **ACCOUNTING STAFF:**

Kelly Rusoff, Comptroller  
Lynn Rolland, Accountant  
Sue Mannix, Accountant  
Denise Hanson, Accounting Technician  
Melody Johnston, Accounting Technician  
Kurt Lewis, Accounting Technician

### **MULTIFAMILY PROGRAM STAFF:**

Maureen Rude, Multifamily Program Officer

### **SINGLE FAMILY PROGRAM STAFF:**

Robert Morgan, Single Family Program Officer  
Jeannene Maas, Program Specialist  
Meredith Miller, Program Specialist  
Nita Routzahn, Program Assistant

## **LEGAL AND PROFESSIONAL SERVICES**

### **BOARD GENERAL COUNSEL:**

Luxan and Murfitt  
Helena, MT

### **BOARD BOND COUNSEL:**

Kutak Rock  
Omaha, NE

### **INDEPENDENT AUDITOR:**

Anderson ZurMuehlen and Co., P.C.  
Helena, MT

### **INVESTMENT BANKING TEAM:**

Goldman, Sachs and Co.  
New York, NY  
D. A. Davidson and Co. Inc.  
Great Falls, MT  
Merrill Lynch Capital Markets  
New York, NY  
Piper, Jaffray and Hopwood Inc.  
Minneapolis, MN

## **SINGLE FAMILY PROGRAMS**

The Board's purpose is to provide safe, sanitary and affordable housing for lower income Montana individuals and families. The Board has been able to accomplish this purpose through four home ownership programs, the Single Family Mortgage Program, the Recycled Single Family Mortgage Program, the Mortgage Credit Certificate Program and the Homebuyers Cash Assistance Program. The administrative and operating expenses for these programs are generated through, either the collection of fees paid with each program or the sale of tax-exempt bonds.

### **SINGLE FAMILY MORTGAGE PROGRAM**

The home financing program is exclusively supported from the sale of tax-exempt mortgage revenue bonds issued periodically by the Board of Housing. The tax-exempt status allows the agency to pass along the interest savings to lower income persons and families in the form of low-interest home loans.

Mortgage loan applications are originated and processed in compliance with either FHA or VA underwriting criteria by Board approved Montana real estate lenders. The person or family reserve mortgage funds through the approved lender on a first-come first-serve basis with the Board.

The FHA insured or VA guaranteed mortgage is generally made for a term of 30 years. The mortgage interest rate is determined by the price the Board must pay to investors on the tax-exempt bonds.

Each person or family in addition to qualifying under the FHA or VA requirements must also meet certain program loan requirements and Federal Eligibility Requirements. Generally, the requirements for each person are as follows:

- the home is to be owner-occupied with limited business use of the property;
- the purchaser is to be a first-time home buyer except for certain targeted areas;
- the purchase price or construction cost of the home may not exceed \$75,500;
- family income may not exceed income limitations as established by the Board;
- the refinancing of an existing home loan is not permitted.

During the fiscal year ending June 30, 1992 loan proceeds from three bond issues were available under the Single Family Mortgage Program. The Board offered the lendable proceeds in fixed rate mortgages ranging from 7.375% to 7.90%, assisting 878 Montanans purchase a home. **See pages 12 and 13 for further information.**



## **RECYCLED SINGLE FAMILY MORTGAGE PROGRAM**

The Board has made additional mortgage funds available through the recycling of mortgage prepayments and other funds held under prior bond issues of the Single Family Mortgage Program. The Board's goal with the recycled funds is to assist those lower income persons and families which do not have the financial capabilities to purchase a safe and sanitary home through other Single Family Programs.

### **NEIGHBORHOOD HOUSING SERVICES, INC. OF GREAT FALLS (NHS)**

Neighborhood Housing Services, a non-profit housing provider, has been in operation since 1980 and has had a major impact in revitalizing two neighborhoods in Great Falls. The Board began work with (NHS) in 1986, to offer affordable homeownership opportunities to lower income individuals and families in conjunction with the neighborhood revitalization.

The Board has committed \$4,645,000 of recycled 6½% and 7½% 30 year mortgage funds, since 1986, to four separate low income homeownership programs sponsored by (NHS). As of June 30, 1992, through the excellent partnership with (NHS), 80 individuals and families have achieved affordable homeownership, with 18 of those becoming homeowners in fiscal year 1992.

### **JOINT VENTURE FOR AFFORDABLE HOUSING**

The Joint Venture for Affordable Housing (JVAH) Program resulted in the Board recycling \$769,300 of 6½% mortgage funds for new construction in the Hillview Heights subdivision of Missoula. The JVAH Program was a significant step toward lowering housing costs and making a home affordable for lower income single parents, disabled and first-time home buyers. The program required the cooperation between the builder, City of Missoula, the Department of Housing and Urban Development and the Board to accomplish its goal to assist the lower income. This program resulted in 17 new two and three bedroom homes being constructed at a price to the purchaser of \$45,800. The average household income for the families served was \$19,300.

### **HUD 203(k) REHABILITATION LOANS**

In conjunction with the U. S. Department of Housing and Urban Development (HUD), the Board committed in March, 1992, \$5,000,000 of recycled 7½% mortgage funds as the permanent take out financing to lenders closing HUD 203(k) loans. With a HUD 203(k) loan, a homebuyer is provided financing for both the acquisition of a house and also to complete the substantial repairs needed in order for the house to meet HUD appraisal and underwriting criteria at an affordable mortgage rate. In order to be eligible, the homebuyer may not have an annual income in excess of \$30,000 and the maximum available loan amount is \$60,000. It is anticipated that 75 to 100 homebuyers will be assisted in purchasing and rehabilitating an affordable home.

## **MORTGAGE CREDIT CERTIFICATE PROGRAM**

The Mortgage Credit Certificate Program was implemented by the Board in July, 1987 as another mechanism to assist lower income persons and families in the purchase of a home. Under the MCC

Program, the Board issues certificates to eligible homebuyers which qualifies them for a federal tax credit based on the interest paid on their home loan. This provides the homebuyer with more disposable income to afford their monthly mortgage payments. The annual tax credit is equal to 20% of the annual interest paid on their mortgage loan. The remaining 80% of the interest paid continues to be eligible as an itemized deduction.

The Board works with local real estate lenders to make the MCC available to borrowers, the Board neither purchases the loans, nor provides mortgage funds to the lender. Lenders in the MCC program process the loan applications, establish the mortgage interest rate and set the underwriting requirements. MCC eligibility requirements are generally the same as the Single Family Mortgage Program (refer to page five).

The Board's first MCC program was implemented in July, 1987. The Board converted \$40,000,000 in bond authority for authority to issue \$10,000,000 in Mortgage Credit Certificates. This program was fully issued in December, 1988, with over 1,000 certificates issued to homebuyers.

The second MCC program start-up date was August, 1989. The Board converted \$60,000,000 in bond authority in December, 1988 to issue \$15,000,000 in Mortgage Credit Certificates. This program expired in December, 1990 and 700 individuals and families were assisted in the purchase of a home.

The third MCC Program was made available in June, 1991, with the conversion of \$40,000,000 in bond authority for authority to issue \$10,000,000 in Mortgage Credit Certificates. As of June 30, 1992 500 individuals and families were assisted in the purchase of a home and it is anticipated that an additional 400 homebuyers will be assisted through the December, 1992 expiration of the Program.

The MCC Programs have assisted 2,200 individuals and families in obtaining \$110,000,000 in mortgages for the purchase of a home since inception in July, 1987.

#### **HOMEBUYERS CASH ASSISTANCE PROGRAM**

This program, initiated in May, 1991 by the Board, is targeted to assist those credit worthy persons and families lacking the financial resources to purchase a home under any other of the Board's homeownership programs. In order to be eligible for the program, the homebuyer may not have annual income in excess of \$20,000 and the home's purchase price may not exceed \$45,000. Cash assistance of up to 50% of the minimum cash required to close a loan (maximum advance of \$1,000), combined with 7% 30 year mortgage money is available for eligible homebuyers.

The Board has set aside \$4,000,000 in 7% mortgage funds and committed \$100,000 from its Housing Trust Fund for the funding of the program and through June 30, 1992 this program has resulted in 85 new homeowners. The typical homebuyer assisted, received \$840 in cash assistance, purchased a home costing \$34,800, had an annual income of \$16,600 and a household size of 2.3 persons.

## MULTIFAMILY PROGRAMS

The Board has financed or assisted in the financing of 1,457 multifamily housing units through June 30, 1992 in the State of Montana. Assistance in the development and retention of affordable multifamily units for lower income Montanans has been accomplished through the Multifamily Bond Program and the Low Income Housing Tax Credit Program.

### MULTIFAMILY BOND PROGRAM

As of June 30, 1992, through its various programs, the Board has financed 668 multifamily housing units in the State. The Board has issued multifamily bonds and notes aggregating an initial principal amount of \$24,410,000 in four series consisting of three parity issues under the Board's 1978 Multifamily Indenture and one construction loan note under a 1980 Indenture. All Mortgage or Construction Loans financed under the Multifamily Program are or were insured by FHA. Bond and note proceeds were used to provide construction financing and to purchase permanent multifamily mortgage loans in the State for persons and families of lower income.

All multifamily projects of the Board are insured by the Federal Housing Administration of the U.S. Department of Housing and Urban Development and 100% of the occupants of these projects receive rent subsidies under the HUD Section 8 program.

#### SUMMARY OF MULTIFAMILY BOND PROGRAMS

<u>Series and Project:</u>	<u>Location</u>	<u>Units</u>	<u>Elderly (E) or Family (F)</u>	<u>Original Principal Amount</u>	<u>Construc- tion Loan Rate</u>	<u>Permanent Mortgage Loan Rate</u>
<u>1978 Series A:</u>						
Clark Fork Manor	Missoula	<u>134</u>	E	\$4,628,000	8.0%	7.0%
<u>1979 Series A:</u>						
Crestwood Inn	Sidney	72	E	2,188,500	9.0%	7.5%
Silver Bow Village	Butte	60	F	1,925,000	8.5%	7.5%
Broadview Manor	Great Falls	20	F	713,200	8.5%	7.5%
Oakwood Village	Havre	60	F	1,793,600	8.5%	7.5%
The Elmwoods	Great Falls	<u>18</u>	F	<u>576,900</u>	8.5%	7.5%
		<u>230</u>		<u>7,197,200</u>		
<u>1982 Series A:</u>						
Grand View Place	Missoula	<u>48</u>	F	<u>1,695,200</u>	12.0%	12.0%
<u>Other:</u>						
Miles Building	Livingston	40	F	1,081,885	14.5%	NA
Cut Bank Hotel	Cut Bank	<u>20</u>	E	<u>525,400</u>	10.0%	11.0%
		<u>60</u>		<u>1,607,285</u>		
<u>1980 Series A Construction Loan Notes:</u>						
Cedar View	Malta	32	F	1,269,900	11.0%	NA
Chair III	Whitefish	16	F	618,400	11.0%	NA
El Dorita Village	Kalispell	36	F	1,092,000	11.0%	NA
Rose Park Plaza	Billings	<u>112</u>	F	<u>3,222,100</u>	11.0%	NA
		<u>196</u>		<u>6,202,400</u>		
		<u>668</u>		<u>\$21,330,085</u>		



## LOW INCOME HOUSING TAX CREDIT PROGRAM

The Low Income Housing Tax Credit, established by Congress in the Tax Reform Act of 1986, is intended to provide for the retention, rehabilitation and construction of low income rental housing.

Through the tax credit, developers and owners of qualified housing receive an annual federal tax credit for 10 years, based on the number of housing units provided to low income individuals and families.

In fiscal year 1992, the Board allocated \$896,000 in tax credits to assist in the development of seven projects containing 294 low income housing units. Since the inception of the program in November, 1987, the tax credit has been utilized in the rehabilitation and production of 789 low income housing units in Montana.

### Low Income Housing Tax Credit Program Allocations by City Through June 30, 1992

<u>City</u>	<u>Number of Developments</u>	<u>LIHTC Units</u>	<u>LIHTC Allocated</u> \$
Billings	5	247	\$ 836,102
Bozeman	1	28	94,383
Columbia Falls	1	12	17,216
Cut Bank	1	19	31,659
Fort Benton	1	10	13,938
Great Falls	3	106	473,647
Havre	6	14	11,411
Kalispell	1	39	65,696
Laurel	1	8	9,016
Medicine Lake	1	4	3,595
Missoula	3	122	420,860
Plains	1	9	11,600
Polson	2	82	141,854
Scobey	1	11	13,980
Stevensville	1	30	37,178
Whitefish	3	42	86,131
Winnett	<u>1</u>	<u>6</u>	<u>9,626</u>
Total	33	789	\$2,277,892

## REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Many senior citizens in Montana own their own homes, and have little or no remaining debt on the home. Many of these homeowners are persons of lower income who would benefit from an additional income source from use of equity in their homes. Reverse Annuity Mortgage (RAM) loans enable senior homeowners to provide more substantially for their own in-home support and specialized care.

The Board implemented a RAM pilot program on October 1, 1990, with an initial funding commitment of \$730,300. Under the pilot program 75 to 100 loans will be originated statewide at a 7 percent interest rate. The proceeds will be advanced monthly to the homeowner over a ten year term. Lump-sum advances up to \$3,100 will be available at loan closing.

The RAM pilot program is available to senior citizens meeting the following general eligibility requirements:

**Age Requirements:** All borrowers to be 68 years of age or older.

**Income Limit:** The Borrower's Annual Family Income must not exceed the following:

1 person household	\$ 9,500
2 person household	10,900
3 person household and up	12,250

**Property Eligibility:** The borrowers must be the owner and occupant of a single-family dwelling that is unencumbered by any prior mortgage. The single-family dwelling must meet minimum FHA property standards as determined by an FHA appraisal.

**Loan Amount:** The loan amounts may range from a minimum of \$15,000 to a maximum of \$40,000. The maximum loan amount would be determined based on 80% of the FHA determined property value.

**Counseling:** Potential borrowers must complete a reverse annuity mortgage counseling program provided through the Montana Aging Services Network.

During the fiscal year ended June 30, 1992 numerous applications were received and seven (7) RAM mortgage loans were closed.



The following statistics for the 11 loans closed since program inception are indicative of the senior homeowners intended to be assisted with the program:

<u>Community</u>	<u>House- hold Size</u>	<u>Borrower Age</u>	<u>Borrower Annual Income</u>	<u>Loan Amount</u>
Missoula	1	79	\$ 5,652	\$36,800
Missoula	1	70	\$ 9,326	\$40,000
Polson	1	81	\$ 7,696	\$40,000
Somners	1	71	\$ 5,314	\$25,000
Butte	1	75	\$ 7,104	\$25,200
Missoula	1	84	\$ 6,960	\$28,000
Dillon	2	78 & 78	\$ 7,620	\$40,000
Hamilton	1	70	\$ 9,370	\$40,000
Billings	2	85 & 86	\$10,626	\$40,000
Kalispell	2	84 & 81	\$ 9,996	\$33,000
Malta	1	70	\$ 5,280	\$16,800

Average Borrower Age: 78.0 Years

Average Borrower Annual Income: \$ 7,722

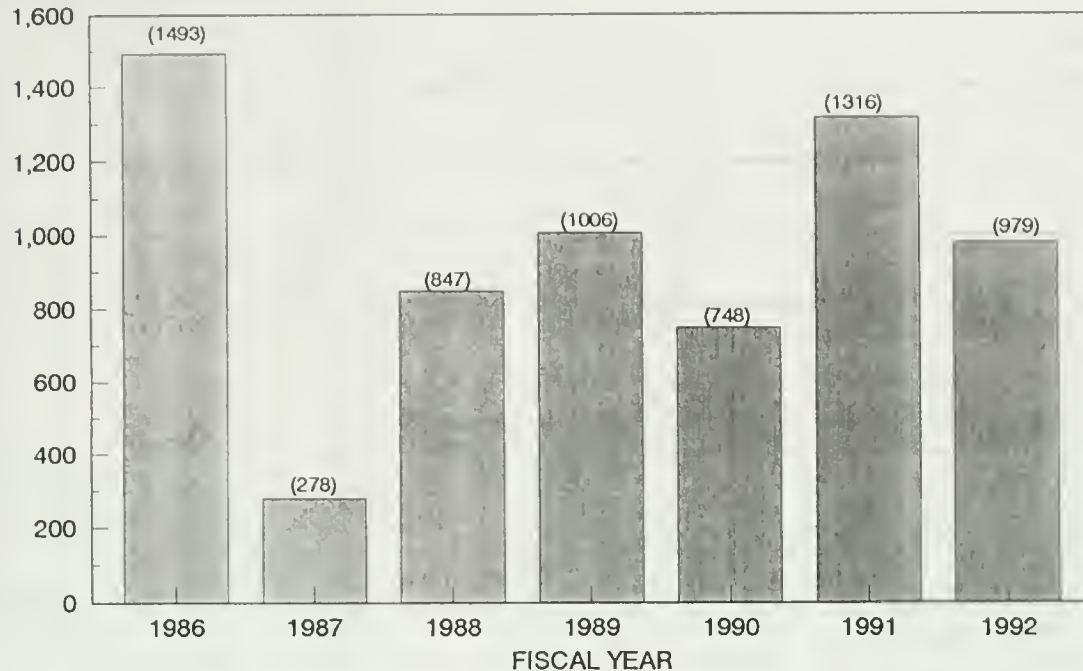
Average Loan Amount: \$33,164

Further information on our programs may be obtained by writing:  
Montana Board of Housing, 2001 11th Avenue, Helena, MT 59620-0528,  
or by phoning (406)444-3040.

# MONTANA BOARD OF HOUSING SINGLE FAMILY MORTGAGES

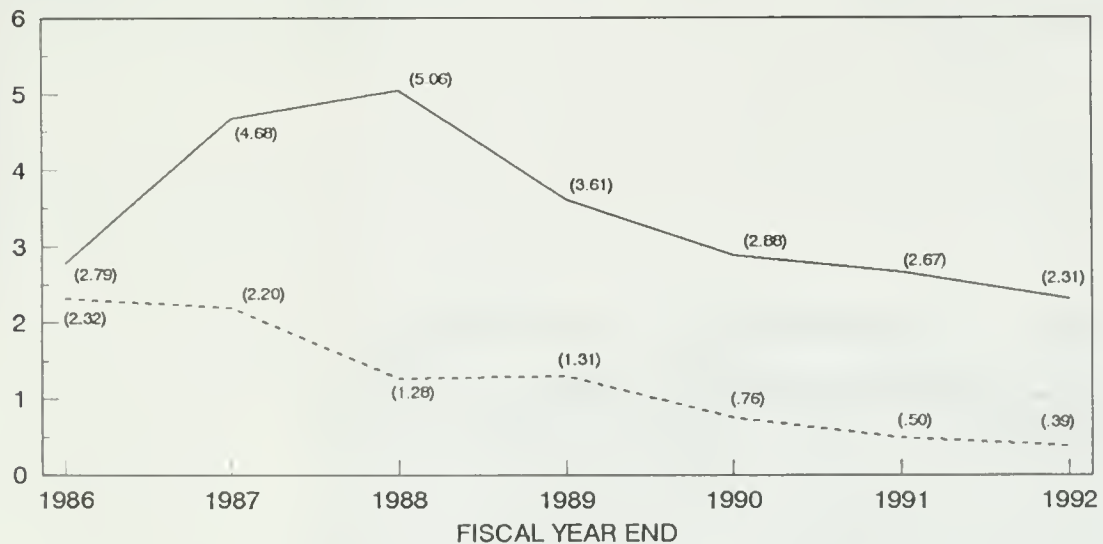
PURCHASED BY FISCAL YEAR

MORTGAGES PURCHASED



## PERCENT OF PAST DUE MONTANA BOARD OF HOUSING LOANS AND LOANS IN POSSIBLE FORECLOSURE AT FISCAL YEAR END

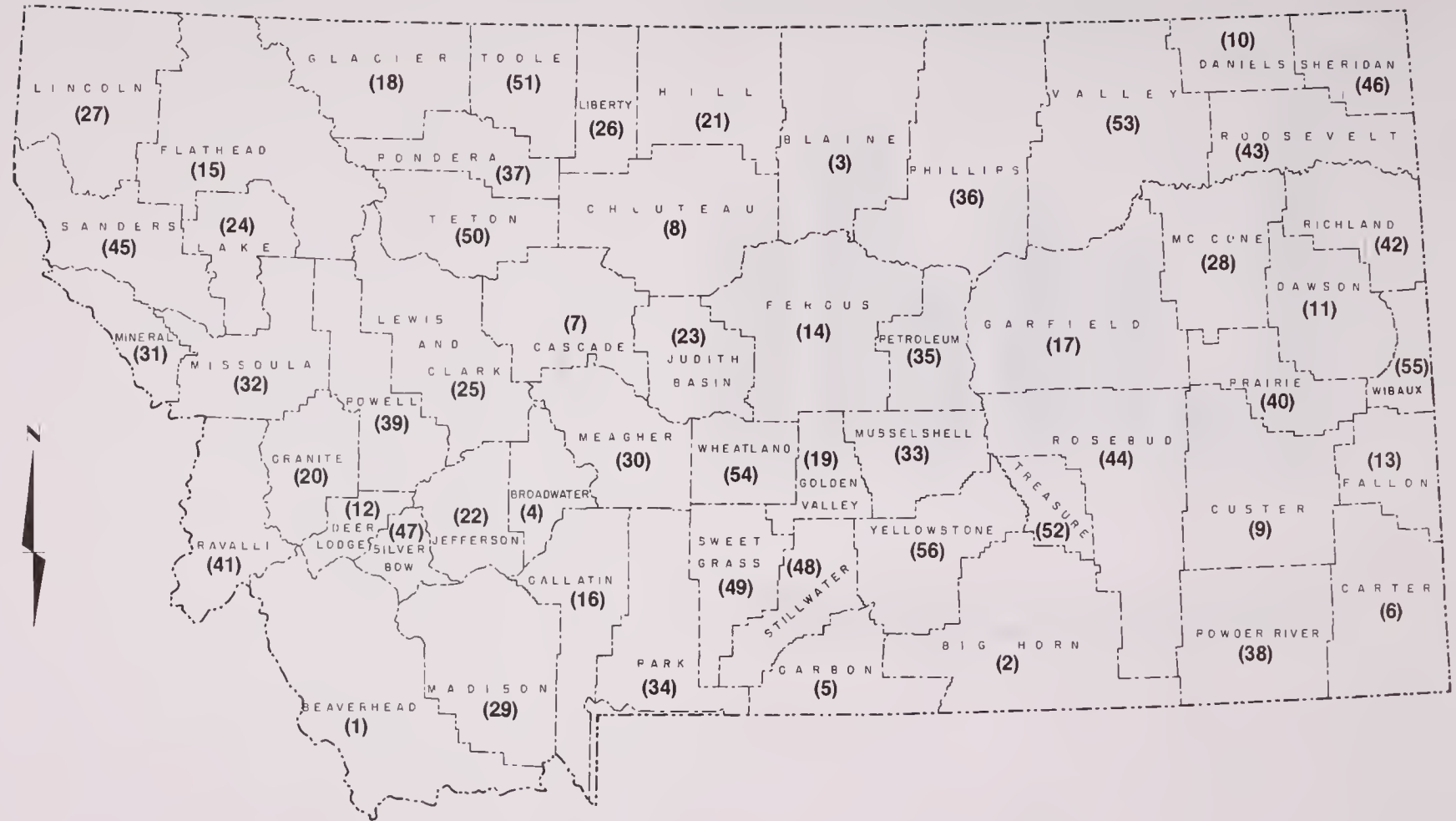
PERCENT



% PAST DUE LOANS-60 DAYS OR MORE      % LOANS IN POSSIBLE FORECLOSURE

**SINGLE FAMILY MORTGAGE PROGRAM  
ORIGINAL PRINCIPAL BALANCE AND NUMBER OF  
MORTGAGE LOANS PURCHASED BY COUNTY**

County	For Period 4/1/77 thru 6/30/92		For Period 7/1/89 thru 6/30/92	
	# of loans	Principal Purchase	# of loans	Principal Purchase
1. Beaverhead	78	\$ 3,166,128	15	\$ 640,184
2. Big Horn	48	1,935,291	6	212,144
3. Blaine	58	2,040,022	11	331,896
4. Broadwater	37	1,521,276	2	83,984
5. Carbon	61	2,521,735	19	790,947
6. Carter	1	18,000	0	0
7. Cascade	2,877	129,285,091	498	25,151,623
8. Choteau	20	740,857	4	163,130
9. Custer	385	13,509,750	62	1,823,429
10. Daniels	1	30,703	0	0
11. Dawson	242	9,265,185	42	1,284,767
12. Deer Lodge	131	4,002,737	20	687,066
13. Fallon	38	1,465,319	3	63,800
14. Fergus	115	3,884,429	8	319,901
15. Flathead	1,425	69,739,857	374	19,091,290
16. Gallatin	738	35,528,301	77	3,562,645
17. Garfield	3	80,515	0	0
18. Glacier	69	2,914,235	11	438,173
19. Golden Valley	3	109,387	1	40,000
20. Granite	5	181,680	0	0
21. Hill	366	15,552,709	87	3,788,580
22. Jefferson	96	4,537,618	11	650,786
23. Judith Basin	5	196,650	1	36,300
24. Lake	214	8,679,873	26	1,143,033
25. Lewis & Clark	1,206	53,340,736	151	7,495,280
26. Liberty	5	172,294	0	0
27. Lincoln	163	6,357,288	29	1,248,555
28. McCone	15	602,774	4	111,200
29. Madison	42	1,851,338	7	310,924
30. Meagher	35	1,206,913	2	96,352
31. Mineral	60	2,405,871	6	255,295
32. Missoula	2,429	122,054,791	502	27,127,770
33. Musselshell	18	721,300	5	193,743
34. Park	188	6,695,465	50	1,980,724
35. Petroleum	1	19,493	0	0
36. Phillips	23	932,146	3	90,690
37. Pondera	80	\$ 2,843,262	34	\$ 1,258,542



County	For Period 4/1/77 thru 6/30/92		For Period 7/1/89 thru 6/30/92	
	# of loans	Principal Purchase	# of loans	Principal Purchase
38. Powder River	5	\$ 178,893	0	\$ 0
39. Powell	63	2,355,495	5	223,176
40. Prairie	4	177,510	0	0
41. Ravalli	215	9,621,325	72	3,394,719
42. Richland	250	10,460,367	66	2,264,048
43. Roosevelt	77	3,049,605	15	472,689
44. Rosebud	45	1,996,700	14	518,292
45. Sanders	26	1,053,846	5	194,509
46. Sheridan	11	419,832	9	337,568
47. Silver Bow	576	\$ 19,736,040	93	\$ 3,507,833

County	For Period 4/1/77 thru 6/30/92		For Period 7/1/89 thru 6/30/92	
	# of loans	Principal Purchase	# of loans	Principal Purchase
48. Stillwater	45	\$ 2,035,884	3	\$ 181,900
49. Sweetgrass	13	548,662	2	106,500
50. Teton	33	1,372,268	11	549,101
51. Toole	51	1,811,426	10	417,418
52. Treasure	0	0	0	0
53. Valley	91	3,454,891	16	568,182
54. Wheatland	8	248,943	2	72,247
55. Wibaux	2	37,493	1	9,893
56. Yellowstone	4,216	205,280,241	648	28,783,943
STATE TOTAL	17,012	\$773,950,442	3,043	\$142,074,771

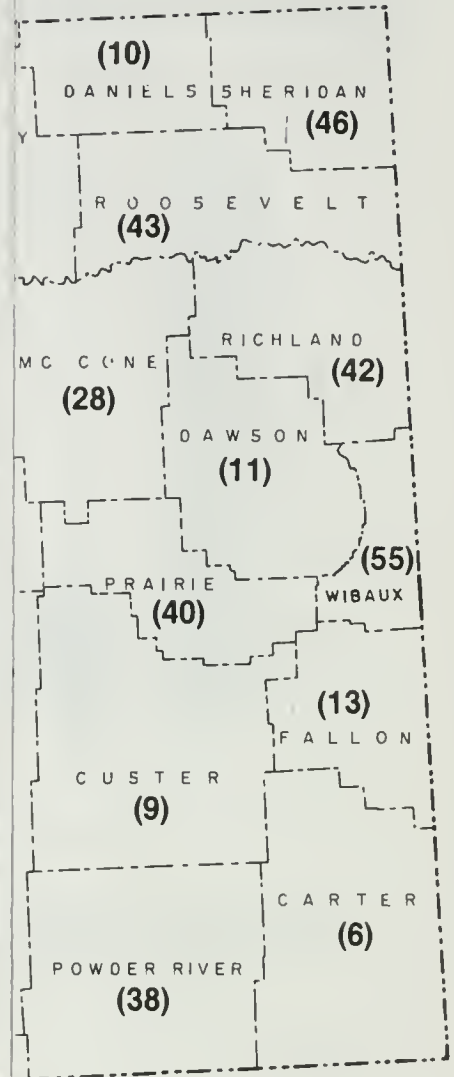
APPENDIX A

MONTANA BOARD OF HOUSING  
AUDITED FINANCIAL STATEMENTS  
June 30, 1992

ANDERSON ZURMUEHLEN AND CO., P.C.  
Certified Public Accountants

**SINGLE FAMILY MORTGAGE PROGRAM  
ORIGINAL PRINCIPAL BALANCE AND NUMBER OF  
MORTGAGE LOANS PURCHASED BY COUNTY**

County	For Period 4/1/77 thru 6/30/92		For Period 7/1/89 thru 6/30/92	
	# of loans	Principal Purchase	# of loans	Principal Purchase
1. Beaverhead	78	\$ 3,166,128	15	\$ 640,184
2. Big Horn	48	1,935,291	6	212,144
3. Blaine	58	2,040,022	11	331,896
4. Broadwater	37	1,521,276	2	83,984
5. Carbon	61	2,521,735	19	790,947
6. Carter	1	18,000	0	0
7. Cascade	2,877	129,285,091	498	25,151,623
8. Choteau	20	740,857	4	163,130
9. Custer	385	13,509,750	62	1,823,429
10. Daniels	1	30,703	0	0
11. Dawson	242	9,265,185	42	1,284,767
12. Deer Lodge	131	4,002,737	20	687,066
13. Fallon	38	1,465,319	3	63,800
14. Fergus	115	3,884,429	8	319,901
15. Flathead	1,425	69,739,857	374	19,091,290
16. Gallatin	738	35,528,301	77	3,562,645
17. Garfield	3	80,515	0	0
18. Glacier	69	2,914,235	11	438,173
19. Golden Valley	3	109,387	1	40,000
20. Granite	5	181,680	0	0
21. Hill	366	15,552,709	87	3,788,580
22. Jefferson	96	4,537,618	11	650,786
23. Judith Basin	5	196,650	1	36,300
24. Lake	214	8,679,873	26	1,143,033
25. Lewis & Clark	1,206	53,340,736	151	7,495,280
26. Liberty	5	172,294	0	0
27. Lincoln	163	6,357,288	29	1,248,555
28. McCone	15	602,774	4	111,200
29. Madison	42	1,851,338	7	310,924
30. Meagher	35	1,206,913	2	96,352
31. Mineral	60	2,405,871	6	255,295
32. Missoula	2,429	122,054,791	502	27,127,770
33. Musselshell	18	721,300	5	193,743
34. Park	188	6,695,465	50	1,980,724
35. Petroleum	1	19,493	0	0
36. Phillips	23	932,146	3	90,690
37. Pondera	80	\$ 2,843,262	34	\$ 1,258,542





APPENDIX A

MONTANA BOARD OF HOUSING  
AUDITED FINANCIAL STATEMENTS

June 30, 1992

ANDERSON ZURMUEHLEN AND CO., P.C.  
Certified Public Accounts

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ANDERSON ZURMUEHLEN & CO., P.C.

Certified Public Accountants & Business Consultants

Power Block Building • Second Floor

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Montana Board of Housing  
Helena, Montana

We have audited the accompanying statements of financial condition as presented in the total column of Montana Board of Housing as of June 30, 1992 and 1991 and the related statements of revenue, expense and changes in fund balances, and cash flows as presented in the total columns for the years then ended. Montana Board of Housing is a component unit of the State of Montana. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Board of Housing as of June 30, 1992 and 1991, and the results of its operations, and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Anderson Zurmuehlen & Co., P.C.*

Helena, Montana  
August 21, 1992

**MONTANA BOARD OF HOUSING**  
**STATEMENTS OF FINANCIAL CONDITION**  
June 30, 1992 and 1991

<u>ASSETS</u>	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds
Cash and cash equivalents (Note 2)	\$ 2,795,687	\$ 250,383
Investments (Note 3)	199,358,674	5,012,720
Mortgage loans receivable, net (Note 4)	436,178,974	12,968,671
Real estate owned (Note 5)	-	-
Interest receivable - Mortgage loans	3,658,072	87,567
- Investments	2,173,264	89,502
Deferred bond issuance costs, net	8,428,679	307,484
Due from other funds	311,391	3,521
Fixed assets, net of accumulated depreciation of \$121,251 in 1992 and \$163,842 in 1991	-	-
Prepaid expense	-	-
	<u>\$ 652,904,741</u>	<u>\$ 18,719,848</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 172,582	\$ -
Cost of issuance payable	31,855	-
Accrued interest on bonds payable	6,971,034	447,775
Due to other funds	218,421	-
Bonds payable, net (Note 6)	581,775,230	14,332,069
Accrued compensated absences	-	-
Contingent arbitrage rebate tax liability payable to U. S. Treasury Department (Note 14)	349,502	-
Total liabilities	<u>589,518,624</u>	<u>14,779,844</u>
COMMITMENTS (Note 8)	-	-
<u>FUND BALANCES</u>		
Reserved fund balances:		
Reserved for Single Family Programs	55,947,510	-
Reserved for Neighborhood Housing Services Program	168,795	-
Reserved for Affordable Housing Project Programs	848,205	-
Reserved for Owner's in Partnership Program	354,976	-
Reserved for Cash Assistance Program	1,066,631	-
Reserved for 203(k) Loan Program	5,000,000	-
Reserved for Multifamily Programs	-	3,940,004
Designated fund balances (Note 8):		
Designated for Financial Program Fund	-	-
Designated for Housing Trust Fund	-	-
Designated to Maintain Bond Ratings	-	-
Designated for Reverse Annuity Mortgage Program	-	-
Designated for Cash Assistance Program	-	-
Designated for Escrow Deposits - Single Family Program	-	-
Total fund balances	<u>63,386,117</u>	<u>3,940,004</u>
	<u>\$ 652,904,741</u>	<u>\$ 18,719,848</u>

The Notes to Financial Statements are an integral part of these statements.

Housing Trust Fund	Financial Program Fund	Totals	
		1992	1991
\$ 2,522	\$ 105,114	\$ 3,153,706	\$ 4,242,666
1,840,992	157,126	206,369,512	177,089,266
109,174	-	449,256,819	461,246,105
-	-	-	127,738
4,193	-	3,749,832	3,994,447
4,584	36	2,267,386	2,793,587
-	-	8,736,163	9,014,039
-	-	314,912	132,434
-	95,461	95,461	64,028
-	9,724	9,724	8,869
<u>\$ 1,961,465</u>	<u>\$ 367,461</u>	<u>\$ 673,953,515</u>	<u>\$ 658,713,179</u>
\$ -	\$ 134,595	\$ 307,177	\$ 353,157
-	-	31,855	2,648
-	-	7,418,809	7,156,112
4,882	91,609	314,912	132,434
-	-	596,107,299	584,601,501
-	31,557	31,557	31,996
-	-	349,502	277,119
<u>4,882</u>	<u>257,761</u>	<u>604,561,111</u>	<u>592,554,967</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	55,947,510	55,496,228
-	-	168,795	168,795
-	-	848,205	505,896
-	-	354,976	485,000
-	-	1,066,631	3,933,625
-	-	5,000,000	-
-	-	3,940,004	3,641,163
-	109,700	109,700	66,800
739,517	-	739,517	896,793
78,000	-	78,000	-
698,547	-	698,547	726,326
22,580	-	22,580	93,001
417,939	-	417,939	144,585
<u>1,956,583</u>	<u>109,700</u>	<u>69,392,404</u>	<u>66,158,212</u>
<u>\$ 1,961,465</u>	<u>\$ 367,461</u>	<u>\$ 673,953,515</u>	<u>\$ 658,713,179</u>



MONTANA BOARD OF HOUSING  
 STATEMENTS OF REVENUE, EXPENSE AND  
 CHANGES IN FUND BALANCES  
 Years Ended June 30, 1992 and 1991

	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds
REVENUE		
Interest income on mortgage loans	\$ 41,212,299	\$ 1,055,268
Interest income on investments	13,796,332	352,083
Fees	2,165	-
Investment gain (loss)	39,272	(438)
Other income	10,704	-
Total revenue	<u>55,060,772</u>	<u>1,406,913</u>
EXPENSE		
Interest	48,475,900	1,054,891
Servicer fees	1,702,748	16,395
Amortization of bond issuance cost	646,310	15,230
General and administrative	928,346	21,556
Arbitrage rebate tax (Note 14)	72,383	-
Loss on redemption (Note 7)	438,512	-
Total expense	<u>52,264,199</u>	<u>1,108,072</u>
EXCESS REVENUE OVER EXPENSE	2,796,573	298,841
FUND BALANCES, BEGINNING OF YEAR		
Reserved fund balances	60,589,544	3,641,163
Designated fund balances	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR		
Reserved and designated fund balances	<u>\$ 63,386,117</u>	<u>\$ 3,940,004</u>

The Notes to Financial Statements are an integral part of these statements.

Housing Trust Fund	Financial Program Fund	Totals	
		1992	1991
\$ 4,167	\$ -	\$ 42,271,734	\$ 41,799,415
92,087	4,666	14,245,168	16,119,097
-	84,304	86,469	37,797
-	-	38,834	72,418
-	-	10,704	21,504
<u>96,254</u>	<u>88,970</u>	<u>56,652,909</u>	<u>58,050,231</u>
-	-	49,530,791	48,894,429
-	-	1,719,143	1,661,206
-	-	661,540	686,409
376	46,070	996,348	981,922
-	-	72,383	75,394
-	-	438,512	657,902
<u>376</u>	<u>46,070</u>	<u>53,418,717</u>	<u>52,957,262</u>
95,878	42,900	3,234,192	5,092,969
-	-	64,230,707	59,272,991
<u>1,860,705</u>	<u>66,800</u>	<u>1,927,505</u>	<u>1,792,252</u>
<u>\$ 1,956,583</u>	<u>\$ 109,700</u>	<u>\$ 69,392,404</u>	<u>\$ 66,158,212</u>

**MONTANA BOARD OF HOUSING**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 1992 and 1991**

	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess revenue over expense	\$ 2,796,573	\$ 298,841
Adjustment to reconcile excess revenue over expense to net cash provided by operating activities:		
Depreciation	-	-
Amortization of bond discounts, premiums, issuance cost, mortgage discounts and commitment fees, net	5,187,604	13,374
(Increase) decrease in:		
Interest receivable on mortgage loans	248,022	760
Other assets	276,931	43,818
(Decrease) increase in:		
Accrued interest on bonds payable	264,908	(2,211)
Other liabilities	165,690	-
Mortgage loan and real estate owned receivable payments:		
Scheduled	9,549,120	121,353
Prepaid	48,452,040	-
Allowance for doubtful accounts	(100,000)	-
Purchase of mortgage loan receivables	(45,050,134)	-
Net cash provided by (used in) operating activities	<u>21,790,754</u>	<u>475,935</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Purchase of bond issuance cost	(779,936)	-
Proceeds from sale of bonds	50,000,000	-
Principal payment of bonds	(43,235,314)	(130,000)
Net cash provided by (used in) non-capital financing activities	<u>5,984,750</u>	<u>(130,000)</u>
<b>CASH FLOW FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of fixed assets	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investment securities	506,542,623	2,977,296
Purchase of investment securities	(535,322,411)	(3,385,283)
Net cash provided by (used in) investing activities	<u>(28,779,788)</u>	<u>(407,987)</u>
Net increase (decrease) in cash and cash equivalents	(1,004,284)	(62,052)
Cash and cash equivalents at beginning of year	<u>3,799,971</u>	<u>312,435</u>
Cash and cash equivalents at end of year	<u>\$ 2,795,687</u>	<u>\$ 250,383</u>
<b>Supplemental information:</b>		
Cash paid for interest expense	<u>\$ 49,268,094</u>	
Non-cash financing activities:		
Cost of issuance	<u>\$ 29,207</u>	
Disposal of fully depreciated fixed assets	<u>\$ 60,703</u>	

The Notes to Financial Statements are an integral part of these statements.

Housing Trust Fund	Financial Program Fund	Totals	
		1992	1991
\$ 95,878	\$ 42,900	\$ 3,234,192	\$ 5,092,969
-	18,112	18,112	29,031
-	-	5,200,978	5,259,068
(4,167)	-	244,615	8,551
5,724	16,395	342,868	407,525
-	-	262,697	622,930
279	42,473	208,442	96,954
-	-	9,670,473	8,548,455
-	-	48,452,040	30,828,245
-	-	(100,000)	(185,000)
(98,202)	-	(45,148,336)	(61,572,494)
(488)	119,880	22,386,081	(10,863,766)
-	-	(779,936)	(905,975)
-	-	50,000,000	50,000,000
-	-	(43,365,314)	(54,498,910)
-	-	5,854,750	(5,404,885)
-	(49,545)	(49,545)	(51,824)
10,334,080	896,635	520,750,634	391,639,310
(10,334,854)	(988,332)	(550,030,880)	(374,825,040)
(774)	(91,697)	(29,280,246)	16,814,270
(1,262)	(21,362)	(1,088,960)	493,795
3,784	126,476	4,242,666	3,748,871
\$ 2,522	\$ 105,114	\$ 3,153,706	\$ 4,242,666



**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 1992 and 1991

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization:**

The Montana Board of Housing is a quasi-judicial board created in 1975 by the Legislative Assembly of the State of Montana to facilitate the availability of decent, safe and sanitary housing to persons and families of lower income as determined in accordance with Board policy in compliance with the Internal Revenue Code. The Board is authorized to issue negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed \$975,000,000. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the payment of amounts so issued. The Board of Housing is attached to the Department of Commerce for administrative purposes.

**Basis of Accounting:**

The Board uses the accrual basis of accounting wherein revenue is recognized when earned and expense is recognized when incurred. Financial activities of the Board are recorded in funds established under various bond resolutions.

**Reporting Entity:**

In accordance with governmental accounting and financial reporting standards, there are no component units to be included within the Board of Housing as a reporting agency. The Board of Housing is includable as a component unit within the State of Montana financial statements. The State of Montana directs and supervises budgeting, record keeping, reporting, and related administrative functions of the Board.

**Fund Accounting:**

To ensure observance of limitations and restrictions placed on the use of resources by the trust indentures, the Board of Housing accounts and funds are organized in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose as described in the trust indentures. The operations of each fund are accounted for by providing a separate set of self balancing accounts which are comprised of each fund's assets, liabilities, fund balance, revenue and expense. The Board is classified as a proprietary fund, that is, a fund that is financed and operated in a manner similar to private business enterprises, where the intent of the Board is that the expenses of meeting its organizational purpose be financed or recovered primarily through user charges and investment earnings, and the periodic determination of revenue earned and expense incurred is appropriate for capital maintenance, public policy, management control, accountability and other purposes.

Reserved fund balances represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following describes the restrictions on the reserved fund balances:

The individual bond indentures establish certain funds and accounts as special trust funds to hold the individual indenture funds. Due to the general obligation nature of the Board's bonds, these funds and accounts are pledged as collateral for the bonds under the individual program indentures. The individual indentures also set certain reserve requirements on cash and investments. These reserve requirements are disclosed in Note 3 to the financial statements. Also, as disclosed in Note 4 to the financial statements, the mortgage loans receivable are pledged as security for holders of the bonds. Certain indentures also require



**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting (Continued):**

asset-liability coverage ratios be met before optional redemption of bonds. Also, bond rating agencies require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture.

Designated fund balances represent funds that are reserved to enhance bondholder security, to finance in whole or in part future housing needs, for establishment of new programs and to provide for continuing operations as prescribed by the Montana Board of Housing. The following is a description of the Board's individual funds:

**SINGLE FAMILY MORTGAGE PROGRAM FUNDS** - These funds, established under ten separate trust indentures adopted on various dates, are prescribed for accounting for the proceeds from the sale of Single Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, restricted to the purchase of eligible single family mortgage loans. The mortgage loans must be insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

The accompanying June 30, 1992 financial statements present the Single Family Mortgage Program Funds in one column. The assets of each individual Single Family Program Fund are restricted by the Fund's respective trust indenture; therefore, the total does not indicate that the Single Family Program Funds' assets are available in any manner other than provided for in the individual trust indentures. The Board has reserved funds for specific programs. These loans will be originated from funds available in the Single Family II Indenture.

**MULTIFAMILY MORTGAGE PROGRAM FUNDS** - These funds, established under a trust indenture adopted February 23, 1978 and amended June 26, 1979 and May 27, 1982, are prescribed for accounting for the proceeds from the sale of Multifamily Mortgage Bonds, the debt service requirements of the bond indebtedness, and for the construction and permanent mortgage loans on multifamily developments being financed from the bond proceeds. The mortgage loans must be insured by the Federal Housing Administration.

**HOUSING TRUST FUND** - The Housing Trust Fund was established as a separate trust fund by a resolution of the Montana Board of Housing, adopted February 16, 1989. The Housing Trust Fund was created to finance in whole or in part future housing needs and the establishment of new programs as deemed necessary by the Board and any loans or grant projects that will provide housing for lower income persons and families with special housing needs. Current programs include, but are not limited to, the Reverse Annuity Mortgage Program for senior Montana homeowners and the homebuyers Cash Assistance Program (CAP) to assist lower income individuals and families in the purchase of a single family home. The Board recognizes that the Housing Trust Fund is also available generally as security for bondholders relying on the Board's pledge of its general obligation.

**FINANCIAL PROGRAM FUND** - The Financial Program Fund was established by a resolution of the Montana Board of Housing adopted August 14, 1981. The Financial Program Fund is restricted to program purposes as determined by the Montana Board of Housing and the funds collateralize general obligations of the Board. The Financial Program Fund is also used to account for the revenues and costs of the Low Income Housing Credit program and Mortgage Credit Certificate (MCC) program. General and administrative operating expenses are allocated to specific programs.

**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 1992 and 1991

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents:**

For purposes of the cash flow statement, cash and cash equivalents consist of cash held by the State of Montana treasurer, cash held by trustees and mortgage payments in transit.

**Investments:**

The Board's bond trust indentures restrict investment obligations to any of the following, which are legal investments for fiduciaries under the laws of the State of Montana:

U.S. Treasury obligations, U.S. agency obligations, direct obligations of the State or any political subdivision of the State rated in either of its two highest rating categories by a nationally recognized bond rating agency, public bonds and notes fully secured as to payment of principal and interest by a payment agreement with the United State of America, repurchase agreements with U.S. Treasury or U.S. agency obligations as the underlying securities, and certificates of deposit with Federal Reserve System member banks or any Federal Savings and Loan Insurance Corporation member savings and loan association with U. S. Treasury or U. S. agency obligations as collateral to the extent not insured.

Investments, which are generally intended to be held to maturity, are reported at amortized cost. Investment premiums or discounts of \$1,000 or more are amortized using the straight-line method over the life of the investment. Short-term discount investments are reported at cost.

**Mortgage Loans Receivable:**

Permanent mortgage loans receivable are carried at their uncollected principal balances, adjusted for unamortized mortgage discounts and commitment fees (reservation fees per the Board) less an allowance for doubtful accounts. Mortgage discounts and commitment fees are amortized using the interest method over the life of the mortgage loans for mortgages purchased with Single Family III through X Mortgage Program Funds and accreted to interest income on mortgages. Mortgage discounts for all other program funds are amortized using the straight line method over the remaining life of the mortgage loans and accreted to interest income on mortgages.

Foreclosed property represents the uncollected principal balance of foreclosed loans, net of insurance/guaranty payments applied to the principal. Real estate owned represents real property conveyed to the Board as part of the insurance/ guaranty settlement. Foreclosed property, net of insurance/guaranty payments, is included in mortgage loans receivable. Real estate owned has been classified separately on the statement of financial condition, net of guaranty and sales proceeds less an allowance for possible loss.

**Interest Receivable - Mortgage Loans and Foreclosed Property:**

Interest is accrued based upon the amount of outstanding mortgage loan principal. Not more than six months interest is accrued or recognized as income on loans in arrears or in some phase of liquidation.

Interest accrues on all foreclosed property except real estate owned from the last interest "paid to date" to the date of the first insurance/guaranty proceeds check.

Interest accrues on real estate owned from the last interest "paid to date" to the trustee sale date of the foreclosed property. Interest receivable is carried net of insurance/guaranty proceeds collected and applied to interest receivable.

**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Servicer Fees:**

The Board incurs mortgage loan service fees with participating loan servicers. The service fees are based upon individual outstanding monthly mortgage loan principal balances, and paid only when the mortgagee's full monthly payment is collected.

**Fixed Assets:**

Fixed assets are recorded at cost and depreciation is computed using the straight-line method over estimated useful lives of 3 to 10 years. The majority of fixed assets consists of computers and software.

**Fee Income:**

Fees collected as reimbursement for costs incurred in developing and implementing the programs of the Board and for other specific services are recorded as income in the period received.

**Amortization of Bond Premiums and Discounts:**

Bond premiums and discounts are amortized or accreted to interest expense using the interest method, as an adjustment to yield, over the life of the bonds to which they relate or are expensed upon early redemption of the bonds.

**Amortization of Bond Issuance Cost:**

Bond issuance costs, including underwriter discounts, are amortized using the bonds outstanding method over the life of the bonds or are expensed upon early redemption of the bonds.

**Bonds Payable - Net:**

Bonds payable are reported net of unpaid principal outstanding, adjusted for unamortized bond premiums and discounts.

**Compensated Absences:**

The Board's employees earn vacation leave ranging from 15 to 24 days per year depending on the employee's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave.

**Reclassification of 1991 Financial Statements:**

Certain items in the 1991 financial statements have been reclassified to conform to 1992 financial statement presentation.

**NOTE 2. CASH AND CASH EQUIVALENTS**

As disclosed in Note 3, the Board's investments are categorized to give an indication of the level of risk assumed by the Board. These same risk categories are used below for cash and cash equivalents. All cash held by trustees and cash balances maintained by the State of Montana Treasury were covered by federal depository insurance or collateralized by securities held by third parties in the Board's name. Cash on hand and in transit was uninsured and uncollateralized.



**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

Fund	Category			Totals	
	1*	2	3	1992	1991
Program Funds	\$2,999,705	\$ -	\$ -	\$2,999,705	\$4,042,644
Cash on hand or in transit					
to trustees	-	-	48,999	48,999	76,108
Deposited with State Treasury	105,002	-	-	105,002	123,914
	<u>\$3,104,707</u>	<u>\$ -</u>	<u>\$ 48,999</u>	<u>\$3,153,706</u>	<u>\$4,242,666</u>

\* Cash deposits are held at the trustee or co-trustee bank. Based on the opinion of the Boards' bond council, these funds are insured by the FDIC on a pass-through basis to the owners of mortgage bonds. Thus, each individual bondholder is entitled to \$100,000 of insurance coverage.

**NOTE 3. INVESTMENTS**

The Board's investments are categorized below to give an indication of the level of risk assumed by the Board. Category 1 includes investments which are insured, registered or held by the Board or its agent in the Board's name. Category 2 includes uninsured and unregistered investments that are held by the counter party's trust department or agent in the Board's name. Category 3 includes uninsured and unregistered investments that are held by the counterparty, or by its trust department or agent but not in the Board's name. The Board's investments at June 30, 1992 and 1991 consisted of Category 2 investments:

	1992		1991	
	Carrying Amount	Market Value	Carrying Amount	Market Value
U. S. Treasury	\$ 52,567,780	\$ 63,585,658	\$ 54,831,086	\$ 61,975,366
U. S. Agency	106,703,572	107,633,628	86,908,223	87,800,661
Repurchase agreements (collateralized)	47,098,160	49,197,868	35,349,957	36,593,962
Totals	<u>\$ 206,369,512</u>	<u>\$ 220,417,154</u>	<u>\$ 177,089,266</u>	<u>\$ 186,369,989</u>

All repurchase agreements were fully collateralized with securities and cash held by the provider and confirmed by the trustee as required by the bond indentures.

Portions of cash and investments are restricted to uses specified by applicable bond indentures. Amounts are restricted as follows:

	1992		1991	
	Total Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds	Total Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds
Debt service reserve	\$ 60,043,466	\$ 1,150,000	\$ 56,832,013	\$ 1,150,000
Mortgage reserve	3,907,000	275,840	4,135,39	275,840
Totals	<u>\$ 63,950,466</u>	<u>\$ 1,425,840</u>	<u>\$ 60,967,405</u>	<u>\$ 1,425,840</u>

**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 4. MORTGAGE LOANS RECEIVABLE**

The mortgage loans receivable are pledged in accordance with individual program indentures as security for holders of the bonds. Mortgage loans receivable consist of the following:

	<u>1992</u>	<u>1991</u>
Mortgage loan receivables:		
Single Family Program	\$ 442,293,314	\$ 454,241,885
Multifamily Program	13,048,270	13,169,623
Housing Trust Program	<u>109,174</u>	<u>10,972</u>
	455,450,758	467,422,480
Net mortgage discounts and deferred reservation fees	(6,103,939)	(6,076,617)
Allowance for doubtful accounts	(90,000)	(120,000)
Foreclosed property, net	<u>-</u>	<u>20,242</u>
	<u>\$ 449,256,819</u>	<u>\$ 461,246,105</u>

**NOTE 5. REAL ESTATE OWNED**

Real estate owned consists of the following:

	<u>1992</u>	<u>1991</u>
Single Family Programs:		
Outstanding principal balance	\$ -	\$ 163,334
Interest receivable	<u>-</u>	<u>34,404</u>
	-	197,738
Less allowance for possible loss *	<u>-</u>	<u>(70,000)</u>
Single Family Program total	<u>\$ -</u>	<u>\$ 127,738</u>

- \* The allowance for doubtful accounts for mortgage receivables in the amount of \$90,000 (Note 4) includes \$40,000 reserved for future estimated losses on real estate owned.

**NOTE 6. BONDS PAYABLE, NET**

Bonds payable, net consists of the following:

	<u>Original Amount</u>	<u>1992</u>	<u>1991</u>
Single Family 1 Mortgage Bonds:			
1977 -			
Series A, 4.5% to 8% interest, maturing in scheduled annual installments to October 1, 1992 and on October 1, 2008	\$ 21,470,000	\$ 11,915,000	\$ 12,580,000
Series B, 4.15% to 8% interest, maturing in scheduled annual installments to October 1, 1992 and on October 1, 2008	35,060,000	19,740,000	20,910,000



**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 6. BONDS PAYABLE, NET (CONTINUED)**

	<u>Original Amount</u>	<u>1992</u>	<u>1991</u>
<b>Single Family I Mortgage Bonds:</b>			
1978 -			
Series A, 5.05% to 8% interest, maturing in scheduled annual installments to October 1, 1992 and on October 1, 2003 and October 1, 2009	13,600,000	7,970,000	8,365,000
1987 -			
Series A, 5.3% to 8.625% interest, maturing in scheduled annual installments to April 1, 2000 and on April 1, 2018	20,000,000	15,595,000	16,950,000
Series B-1 and B-2, serial and term bonds, 6.25% to 9% interest, maturing in scheduled annual installments to April 1, 2002 and on April 1, 2007, April 1, 2014, and April 1, 2019	20,000,000	16,095,000	17,540,000
1988 -			
Series A-1 and A-2 serial, term and Postponed Revenue on Future Income Tax Exempt Securities (PROFITS), 5.4% to 8.5% interest, maturing in scheduled annual installments to April 1, 2003 and on April 1, 2012, April 1, 2019, and April 1, 2027; PROFITS are reported at an accrued value	19,998,793	<u>17,717,110</u>	<u>19,025,777</u>
Total bonds outstanding		89,032,110	95,370,777
Unamortized bond discount		<u>(49,168)</u>	<u>(54,562)</u>
Total bonds payable, net		<u>88,982,942</u>	<u>95,316,215</u>
<b>Single Family II Mortgage Bonds:</b>			
1979 -			
Series A, 5.1% to 6.6% interest, maturing in scheduled annual installments to June 1, 1997 and on June 1, 2000 and June 1, 2011	100,000,000	62,665,000	66,590,000

**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 6. BONDS PAYABLE, NET (CONTINUED)**

	<u>Original Amount</u>	<u>1992</u>	<u>1991</u>
<b>Single Family II Mortgage Bonds:</b>			
1980 -			
Series A, 7.7% to 9% interest, maturing in scheduled annual installments to June 1, 2000 and on June 1, 2012	50,000,000	31,210,000	33,135,000
1982 -			
Series A, 8.5% to 13.5% interest, maturing in scheduled annual installments to June 1, 1996 and on June 1, 2002 and 2006	55,000,000	7,160,000	7,630,000
1983 -			
Series A, 5.25% to 9.875% interest, maturing in scheduled annual installments to June 1, 1998 and on June 1, 2003 and 2008	30,000,000	13,820,000	15,370,000
Series B, 8% to 9.625% interest, maturing in scheduled annual installments to June 1, 1996 and on June 1, 2003 and 2008	55,000,000	30,240,000	32,640,000
Series C, serial, term and capital Appreciation Bonds (CAB), 5.75% to 10.7% interest, serial and term bonds maturing in scheduled semi-annual installments to December 1, 2002; CABs are reported at an accreted value, and are scheduled for redemption, in part, in semi-annual installments commencing June 1, 2003 to June 1, 2010	114,998,229	56,032,140	61,816,499
1984 -			
Series A, serial, term and CABs, 7% to 10.375% interest, serial and term bonds maturing in scheduled annual installments to June 1, 2002; CABs are reported at an accreted value, and are scheduled for redemption, in part, in annual installments commencing June 1, 2005 to June 1, 2010	75,002,290	44,550,359	49,626,310

**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

NOTE 6. BONDS PAYABLE, NET (CONTINUED)

	Original Amount	1992	1991
<b>Single Family II Mortgage Bonds:</b>			
1985 -			
Series A, serial, term, CAB and Postponed Revenue on Future Income Tax - Exempt Securities (PROFITS), 5.5% to 9.75% interest, serial and term bonds maturing in scheduled semi-annual installments to December 1, 1998 and December 1, 2013 to June 1, 2015; CABs are reported at accreted value, and scheduled for redemption, in part, in semi-annual installments commencing June 1, 1999 to December 1, 2004 and December 1, 2015 to June 1, 2016; PROFITS are reported at accreted value, and begin to pay interest semi-annually, scheduled for redemption, in part, in semi-annual installments commencing December 1, 2010 to June 1, 2013	39,999,625	26,503,854	29,215,662
1985 -			
Series B, serial, term, CAB and Postponed Revenue on Future Income Tax - Exempt Securities (PROFITS), 5.7% to 9.75% interest, serial and term bonds maturing in scheduled semi-annual installments to December 1, 1995, June 1, 2003 to June 1, 2011, and June 1, 2014 to June 1, 2017; CABs are reported at accreted value, and scheduled for redemption, in part, in semi-annual installments commencing June 1, 1996 to December 1, 2002; PROFITS are reported at accreted value, and begin to pay interest semi-annually on June 1, 1997 and are subject to mandatory redemption commencing December 1, 2011 to December 1, 2013	74,996,862	28,088,871	30,709,306
Total bonds outstanding		300,270,224	326,732,777
Unamortized bond discounts		(302,936)	(336,185)
Total bonds payable, net		299,967,288	326,396,592

**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 6. BONDS PAYABLE, NET (CONTINUED)**

	<u>Original Amount</u>	<u>1992</u>	<u>1991</u>
<b>Single Family III Mortgage Bonds:</b>			
1988 -			
Series B-1 and B-2, serial and term senior bonds, and subordinate bonds, 6.2% to 8.9% interest, maturing in scheduled semi-annual installments to October 1, 2008, and October 1, 2014 and 2020	25,000,000	<u>21,950,000</u>	<u>24,020,000</u>
<b>Single Family IV Mortgage Bonds:</b>			
1989 -			
Series A-1 and A-2, serial and term senior bonds, and subordinate bonds, 7% to 9.2% interest, maturing in scheduled semi-annual installments to October 1, 2004, and October 1, 2009, October 1, 2018 and 2020	25,000,000	<u>22,320,000</u>	<u>24,405,000</u>
<b>Single Family V Mortgage Bonds:</b>			
1990 -			
Series A-1 and A-2, serial and term senior bonds, and subordinate bonds, 6.2% to 8.525% interest, maturing in scheduled semi-annual installments to October 1, 2005, and October 1, 2010, October 1, 2016, October 1, 2017 and October 1, 2021	25,000,000	<u>24,160,000</u>	<u>25,000,000</u>
<b>Single Family VI Mortgage Bonds:</b>			
1990 -			
Series B-1 and B-2, serial and term senior bonds, and subordinate bonds, 6.2% to 8.5% interest, maturing in scheduled semi-annual installments from October 1, 1992 to October 1, 2005, and October 1, 2010, October 1, 2016, October 1, 2017, October 1, 2021 and April 1, 2022	25,000,000	<u>24,570,000</u>	<u>25,000,000</u>



**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 6. BONDS PAYABLE, NET (CONTINUED)**

	<u>Original Amount</u>	<u>1992</u>	<u>1991</u>
<b>Single Family VII Mortgage Bonds:</b>			
1990 -			
Series C-1 and C-2, serial and term bonds and subordinate bonds, 6.55% to 8.95% interest, maturing in semi-annual installments from October 1, 1992 to October 1, 2004, October 1, 2010, October 1, 2017, October 1, 2021 and April 1, 2022	25,000,000	<u>24,825,000</u>	<u>25,000,000</u>
<b>Single Family VIII Mortgage Bonds:</b>			
1991 -			
Series A-1 and A-2, serial and term bonds and subordinate bonds, 5.2% to 8.275% interest, maturing in semi-annual installments from April 1, 1993 to October 1, 2006, October 1, 2017, October 1, 2019 and October 1, 2022	25,000,000	<u>25,000,000</u>	<u>25,000,000</u>
<b>Single Family XI Mortgage Bonds:</b>			
1991 -			
Series B-1 and B-2, serial and term bonds and subordinate bonds, 5.50% to 8.4% interest, maturing in semi-annual installments from April 1, 1993 to October 1, 2004 to October 1, 2006, October 1, 2022 and April 1, 2023	25,000,000	<u>25,000,000</u>	<u>-</u>
<b>Single Family X Mortgage Bonds:</b>			
1992 -			
Series A-1 and A-2, serial and term bonds and subordinate bonds, 4.45% to 7.85% interest, maturing in semi-annual installments from April 1, 1994 to October 1, 2006, October 1, 2016, October 1, 2022 and October 1, 2023	25,000,000	<u>25,000,000</u>	<u>-</u>
Single Family Mortgage bonds total, net		<u>581,775,230</u>	<u>570,137,807</u>

**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 6. BONDS PAYABLE, NET (CONTINUED)**

All single family mortgage bonds are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption at various dates at prices ranging from 100 to 103.

Single Family III through X mortgage senior bonds are special obligation bonds of the Board of Housing whereas subordinate bonds are general obligation bonds of the Board of Housing.

Single Family I and II mortgage series bonds are general obligation bonds of the Board of Housing within the individual bond indenture.

	<u>Original Amount</u>	<u>1992</u>	<u>1991</u>
<b>Multifamily Mortgage Bonds:</b>			
1978 -			
Series A, 6.125% interest, maturing in scheduled annual installments to August 1, 2019	\$ 4,865,000	\$ 4,475,000	\$ 4,520,000
1979 -			
Series A, 5.4% to 6.875% interest, maturing in scheduled annual installments to August 1, 1999, and on August 1, 2021	8,660,000	7,900,000	7,980,000
1982 -			
Series A, 12.75% interest, maturing in scheduled annual installments to August 1, 2023	1,945,000	1,915,000	1,920,000
Total bonds outstanding		14,290,000	14,420,000
Unamortized bond premiums		60,377	62,592
Unamortized bond discounts		(18,308)	(18,898)
Total bonds payable, net		<u>14,332,069</u>	<u>14,463,694</u>
Combined total bonds payable, net		<u>\$ 596,107,299</u>	<u>\$ 584,601,501</u>

All multifamily mortgages are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption after various dates at prices ranging from 100 to 105.

The following is a summary of bond principal requirements as of June 30, 1992:

	<u>Single Family Mortgage Program Funds</u>	<u>Multifamily Mortgage Program Funds</u>	<u>Totals</u>
<b>Years Ending June 30:</b>			
1993	\$ 17,295,000	\$ 140,000	\$ 17,435,000
1994	18,530,000	150,000	18,680,000
1995	19,980,000	160,000	20,140,000
1996	21,558,179	175,000	21,733,179
1997	21,919,700	185,000	22,104,700
Subsequent years	482,492,351	13,522,069	496,014,420
Totals	<u>\$ 581,775,230</u>	<u>\$ 14,332,069</u>	<u>\$ 596,107,299</u>

**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 7. LOSS ON REDEMPTION**

During the years ended June 30, 1992 and 1991, the Board redeemed Single Family mortgage bonds prior to scheduled maturity as follows:

	<u>1992</u>	<u>1991</u>
Single Family I		
October 1	\$ 1,480,000	\$ 1,260,000
April 1	<u>2,075,000</u>	<u>2,085,000</u>
	<u>3,555,000</u>	<u>3,345,000</u>
Single Family II		
October 1	5,134,987	15,695,987
December 1	1,829,955	7,275,000
June 1	<u>11,665,372</u>	<u>9,542,923</u>
	<u>18,630,314</u>	<u>32,513,910</u>
Single Family III		
October 1	870,000	420,000
April 1	<u>985,000</u>	<u>310,000</u>
	<u>1,855,000</u>	<u>730,000</u>
Single Family IV		
October 1	855,000	160,000
April 1	<u>1,025,000</u>	<u>340,000</u>
	<u>1,880,000</u>	<u>500,000</u>
Single Family V		
October 1	200,000	-
April 1	<u>520,000</u>	<u>-</u>
	<u>720,000</u>	<u>-</u>
Single Family VI		
October 1	45,000	-
April 1	<u>385,000</u>	<u>-</u>
	<u>430,000</u>	<u>-</u>
Single Family VII		
October 1	-	-
April 1	<u>175,000</u>	<u>-</u>
	<u>175,000</u>	<u>-</u>
Total	<u>\$ 27,245,314</u>	<u>\$ 37,088,910</u>

All such bonds were redeemed at par or 100% of their compounded value to the date of redemption. Unamortized discounts and cost of issuance associated with the bonds redeemed were expensed at time of redemption and are reported as loss on redemption in the combined financial statements.

During the fiscal years 1992 and 1991, the Board issued mortgage bond series 1990C, 1991A, 1991B and 1992A (Single Family VII, Single Family VIII, Single Family IX, and Single Family X Mortgage Program Funds). A portion of the proceeds from these new issues were used to partially refund certain previous bond issues redeemed December 1990, June and October 1991, and June 1992 as disclosed above.

**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 8. COMMITMENTS**

The Board leases office space at \$2,225 per month. During 1991, the Board renewed its lease for a two year period from July 1, 1991 through June 30, 1993. Minimum future lease commitments as of June 30, 1993 are \$26,700.

The Board has committed to acquire or had reserved funds to purchase Single Family Mortgages of approximately \$6,493,000. These mortgage commitments will be funded through cash and investments.

The Board has committed to \$215,125 in Reverse Annuity Mortgage payments as of June 30, 1992.

The Board has reserved \$7,831 in cash assistance funds as of June 30, 1992.

The Board has committed \$730,300 for the Reverse Annuity Program and \$100,000 for the Homebuyers Cash Assistance Program.

Investments in the amount of \$144,586, \$123,353 and \$150,000 were committed under escrow deposit agreements for the Single Family VIII (1991 Series A), Single Family IX (1991 Series B) and Single Family X (1992 series A) Bonds, respectively.

The Board has pledged \$78,000 of the Housing Trust Fund investments to selected Single Family Senior bond series to affirm its present bond rating with rating agencies.

**NOTE 9. BAD DEBTS AND ESTIMATED LOSSES ON  
MORTGAGE RECEIVABLES AND REAL ESTATE OWNED**

The Board recognized the following bad debts and estimated losses on Single Family mortgage receivables and real estate owned using the allowance method:

Balance, June 30, 1990	\$ 375,000
Provision	41,762
Less: Net loans charged off	<u>226,762</u>
Balance, June 30, 1991	190,000
Provision	(5,802)
Less: Net loans charged off	<u>94,198</u>
Balance, June 30, 1992	<u>\$ 90,000</u>



MONTANA BOARD OF HOUSING  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 1992 and 1991

NOTE 10. RELATED PARTY EXPENSE

The Board incurred administrative expense with the Department of Commerce of \$32,914 and \$28,866 for the years ended June 30, 1992 and 1991, respectively. Additionally, the Board incurs certain operating expenses through the State of Montana. For the years ended June 30, 1992 and 1991, these expenses amounted to \$52,332 and \$40,241, respectively.

Employees, officers and stockholders of certain approved originator and servicing financial institutions of the Board also serve as directors of the Board of Housing.

NOTE 11. PENSION PLAN

All eligible employees of the Montana Board of Housing participate in the Montana Public Employees Retirement System (PERS), a defined benefit plan and cost-sharing multiple-employer public employee retirement system. The Board is required to contribute for full-time employees at the rate of 6.417% of annual compensation under State statute. Employees are required to contribute 6.3% of annual compensation. Part-time employees have an option to belong to the retirement plan, depending upon hours worked.

The total number of Board employees covered during each of the years ended June 30, 1992 and 1991 was 14 and 13, respectively. The total payroll for these employees was \$299,230 in 1992 and \$279,228 in 1991. The Board's contributions were \$19,232 and \$17,931 for the years ended June 30, 1992 and 1991, respectively. Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least 5 years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times 60% maximum of final pay. Members' rights become vested after 5 years of service.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. The Board is unable to determine the actuarial present value of credited projected benefits and net assets available for benefits since the information is available only on a total State basis, not agency basis.

The pension benefit obligation at June 30, 1991, for the State system as a whole was \$1,173,852,092. The system's net assets available for benefits at cost on June 30, 1991, were \$919,474,377 leaving an overall unfunded pension benefit obligation of \$254,377,715. The Board's 1991 contribution represented approximately .05% of total June 30, 1991, contributions required of all participating entities. The Board is not responsible for any state system unfunded liability.

Ten year historical trend information showing the State system's progress in accumulating sufficient assets to pay benefits when due is presented in the system's June 30, 1991 annual financial report, which is available from the Montana Department of Administration.

**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 12. DEFERRED COMPENSATION PLAN**

The Board's permanent employees are eligible to participate in the State of Montana's deferred compensation plan. The State of Montana administers the plan by contractual arrangement with Nationwide Insurance. The amount of compensation deferred is not available to employees until termination, retirement, death or unforeseen emergency. All amounts deferred under the plan created under Internal Revenue Code Section 457 remain the property of the State of Montana until paid, subject only to claims of the State of Montana's general creditors.

**NOTE 13. SEGMENT FINANCIAL DATA**

Financial data for the Single Family Program Funds as of June 30, 1992 are summarized as follows:

	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Single Family III Mortgage Program Funds
Total assets	<u>\$ 109,651,637</u>	<u>\$ 345,682,259</u>	<u>\$ 22,600,059</u>
Total liabilities	<u>\$ 90,586,597</u>	<u>\$ 301,909,102</u>	<u>\$ 22,411,629</u>
Total reserved fund balances	<u>19,065,040</u>	<u>43,773,157</u>	<u>188,430</u>
	<u>\$ 109,651,637</u>	<u>\$ 345,682,259</u>	<u>\$ 22,600,059</u>
Total revenue	<u>\$ 8,423,761</u>	<u>\$ 32,418,730</u>	<u>\$ 1,988,106</u>
Total expense	<u>7,327,133</u>	<u>30,915,182</u>	<u>1,947,665</u>
Excess revenue	<u>\$ 1,096,628</u>	<u>\$ 1,503,548</u>	<u>\$ 40,441</u>

	Single Family IV Mortgage Program Funds	Single Family V Mortgage Program Funds	Single Family VI Mortgage Program Funds
Total assets	<u>\$ 23,208,595</u>	<u>\$ 24,848,930</u>	<u>\$ 25,217,577</u>
Total liabilities	<u>\$ 23,051,294</u>	<u>\$ 24,700,581</u>	<u>\$ 25,102,815</u>
Total reserved fund balances	<u>157,301</u>	<u>148,349</u>	<u>114,762</u>
	<u>\$ 23,208,595</u>	<u>\$ 24,848,930</u>	<u>\$ 25,217,577</u>
Total revenue	<u>\$ 2,107,515</u>	<u>\$ 2,082,922</u>	<u>\$ 2,096,662</u>
Total expense	<u>2,069,622</u>	<u>2,018,160</u>	<u>2,028,808</u>
Excess revenue	<u>\$ 37,893</u>	<u>\$ 64,762</u>	<u>\$ 67,854</u>

**MONTANA BOARD OF HOUSING**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 1992 and 1991

**NOTE 13. SEGMENT FINANCIAL DATA (CONTINUED)**

	Single Family VII Mortgage Program Funds	Single Family VIII Mortgage Program Funds
Total assets	<u>\$ 25,438,466</u>	<u>\$ 25,483,287</u>
Total liabilities	\$ 25,354,818	\$ 25,479,131
Total reserved fund balances	<u>83,648</u>	<u>4,156</u>
	<u>\$ 25,438,466</u>	<u>\$ 25,483,287</u>
 Total revenue	 \$ 2,149,638	 \$ 1,970,860
Total expense	<u>2,083,165</u>	<u>1,903,158</u>
Excess revenue	<u>\$ 66,473</u>	<u>\$ 67,702</u>
	Single Family IX Mortgage Program Funds	Single Family X Mortgage Program Funds
Total assets	<u>\$ 25,413,797</u>	<u>\$ 25,360,134</u>
Total liabilities	\$ 25,476,783	\$ 25,445,876
Total reserved fund balances	<u>(62,986)</u>	<u>(85,742)</u>
	<u>\$ 25,413,797</u>	<u>\$ 25,360,134</u>
 Total revenue	 \$ 1,685,942	 \$ 136,636
Total expense	<u>1,748,928</u>	<u>222,378</u>
Excess revenue (expense)	<u>\$ (62,986)</u>	<u>\$ (85,742)</u>

The Board expects the Single Family IX and X Mortgage Program Funds to have excess revenue over expenses in future years.

**NOTE 14. CONTINGENT ARBITRAGE REBATE TAX LIABILITY PAYABLE TO  
U. S. TREASURY DEPARTMENT**

The Board has set up a contingent liability for estimated arbitrage payments to the Treasury Department in accordance with the Internal Revenue Code. The amount of the rebate in general terms is the difference between the actual interest earned on investments and "allowable" interest as defined by Treasury Department Regulations. The contingent liability is associated with Single Family IV, V, VI and VII Program Funds. The Board estimates a future contingent liability for rebate associated with Single Family III, VIII, IX and X Program Funds will occur and will set up such future contingent liability when the amount is determinable. Ninety percent of the estimated rebate will be paid the United States Treasury within 60 days of the end of every fifth bond year until the bonds are retired, at which time 100% of the remaining rebate amount is due.



MONTANA BOARD OF HOUSING  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 1992 and 1991

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NOTE 15. DIVERSITY OF CREDIT RISK

The Board purchases mortgage loans secured by residences located throughout the State of Montana. Loans must be insured by the FHA (Federal Housing Administration) or guaranteed by the VA (Veterans Administration). Guidelines to minimize credit risk are established by FHA, VA and Board policies.

NOTE 16. SUBSEQUENT EVENTS

**Escrow Security Deposit:**

As noted in Note 8, investments of \$144,586 were committed under an escrow deposit agreement for the Single Family VIII, 1991 Series A bond issue. This escrow deposit was released July 17, 1992.

**Legislation:**

Subsequent to June 30, 1992, the Legislative Assembly of the State of Montana passed into law House Bill No. 41 requiring the transfer of \$500,000, by September 1, 1992, from the Housing Authority Enterprise Fund to the State of Montana General Fund. The Montana Board of Housing has not funded the Housing Authority Enterprise Fund. 90-1-107, MCA., refers to the Housing Authority Enterprise Fund whereby, "all funds from the proceeds of bonds issued under this part, fees, and other monies received by the Board, monies appropriated by the legislature for the use of the Board shall be deposited in the Housing Authority Enterprise Fund, except where otherwise provided by law." Generally, funds pledged to bondholders under bond indenture agreements are to be excluded. At the August 21, 1992 board meeting, the Board of Directors passed a resolution to adopt a supplemental bond indenture to pledge all Housing Trust Funds, excluding \$500,000 to bondholders.

**Transfer of Financial Program Fund:**

Subsequent to June 30, 1992, the Board transferred \$79,260 from the Financial Program Fund to the Housing Trust Fund.

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